



Procurement

# Procurement Benefits Program

Program Evaluation

Final

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# Executive Summary

The NSW Government has made a substantial investment towards improving strategic sourcing and procurement practices across NSW Government through its Procurement Benefits Program (the Program). The Program was introduced in 2015 as the NSW government's response to an Election Commitment to improve service delivery within the sector.

The Program as a whole is achieving \$436.4 million in savings by:

- exercising budget discipline to provide managers with a financial incentive to seek more efficient ways of sourcing
- providing program governance and centrally funded implementation resources to assist clusters to deliver the savings that have been applied against their budgets
- clearly demonstrating efficiencies resulting from implementing the 10 initiatives aimed at improving management and administrative practices.

In 2015/16 \$72.9 million was contributed from cluster budgets toward the savings target. The balance of \$363.5 million has been applied progressively to cluster budgets over the remaining three years of the Program.

In addition, careful management of the Program budget has allowed for the implementation of additional scope, a Statement of Work solution, that was not included in original Program. This additional scope will bring transparency and accuracy to all categories of spend and will assist with the identification of opportunities for improvement, monitoring compliance and managing fraudulent behaviour.

The scope of this evaluation is focused to how well the overall Program met its objectives. Clusters are separately responsible for evaluating their own implementation of the 10 initiatives.

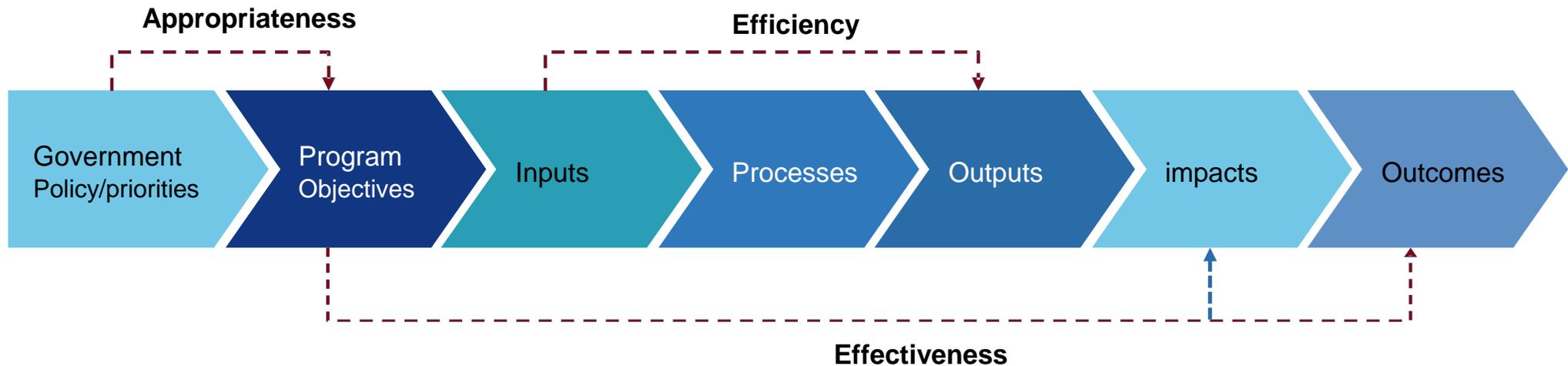
# Program Objectives & Principles

In addition to the primary objective of achieving \$436.4 million in direct savings, the Program was designed to meet the following 7 principles:

- Collective responsibility across all clusters for delivering outcomes
- Delivery of a single, whole-of-government integrated Program with program discipline and accountability
- Value for money achieved through cost-effective, sustainable implementation strategies and achievement of Program benefits within the four year time timeframe
- Strengthening of cross-government procurement capability
- Improvement in supply market reputation
- Create an exemplar whole of government program
- Promotion of DFSI to agencies as a key partner in savings delivery.

# Evaluation Approach

The evaluation involved a Program Logic Model approach that was designed to address four evaluation questions. This report draws on three components of the Program Logic Model. The diagram below identifies which component of the Program Logic Model each evaluation question addresses.



The Program objectives were evaluated by asking the following four questions:

## Appropriateness

- ✓ How well is the Program aligned to business needs?

## Efficiency

- ✓ Have all the activities planned for each of the Programs been implemented?

## Effectiveness

- ✓ To what extent has the Program achieved its objectives?
- ✓ Are the changes to the services sustainable?

# Key Findings

## Successes

The evaluation has found that the Program has had success in changing strategic sourcing and procurement practices. In a relatively short time-frame the Program has provided improvements in the quality of procurement service provision, collaborative practice, adoption of a more strategic approach to strategic sourcing and supplier relationships.

The cost effectiveness analysis shows that Program investment funding, in particular funding directed towards implementation of the Vendor Management Solution for Contingent Labour, has had a significant impact on reducing the error rate of processing contractor invoices. However, one year of the Program has not been long enough to realise its objectives fully. The four year time-frame should be seen as the first stage in a longer journey towards a truly effective procurement practices that ensures the quality of procurement service delivery in NSW and ease of doing business with NSW government.

## Key Learnings

In some cases, additional analysis up front to accommodate for contextual differences could have resulted in a more effective implementation. For example, the original approach proposed for some Initiatives such as Business Advisory Services, Independent Contract Review and Unified Telecommunications was based on limited knowledge of cluster context and processes, supplier relationships and / or limited spend data. Savings for these initiatives is now being delivered through a revised approach.

## Future Opportunities

Progress has been good considering this Program has only been in place since July 2015. However there is still some way to go for clusters to standardise procurement practices across their organisations.

# Program Management

The Program structure aimed to provide oversight and coordination across all 10 initiatives. The centrally-run approach has been an efficient model which demonstrated both a practical and integrated approach to implementation. This allowed for panels of pre-qualified suppliers to be established and standardised approaches to policy and legislative changes.

## Procurement Board

Statutory body responsible for procurement in NSW Government and implementing a Government-wide strategic approach to procurement, including the authority to issue directions to agencies regarding the procurement of goods and services.

## Steering Group

Responsible for overall program governance and decision making. Ensures the program delivers fit for purpose solutions and remains within plan and budget. Provides leadership and strategic direction to the program and project teams.

## Program Management Office (PMO)

Responsible for day-to-day program coordination, reporting and steering group secretariat. Sits within NSWGP with a Program Director who manages the overarching program and budget. Central point of contact for steering group, agency executives and project teams.

## Work Streams

Implement each initiative, with a designated project leader who manages and reports project risks, issues and progress to the PMO and through the respective category management working group.



# Benefits Realisation

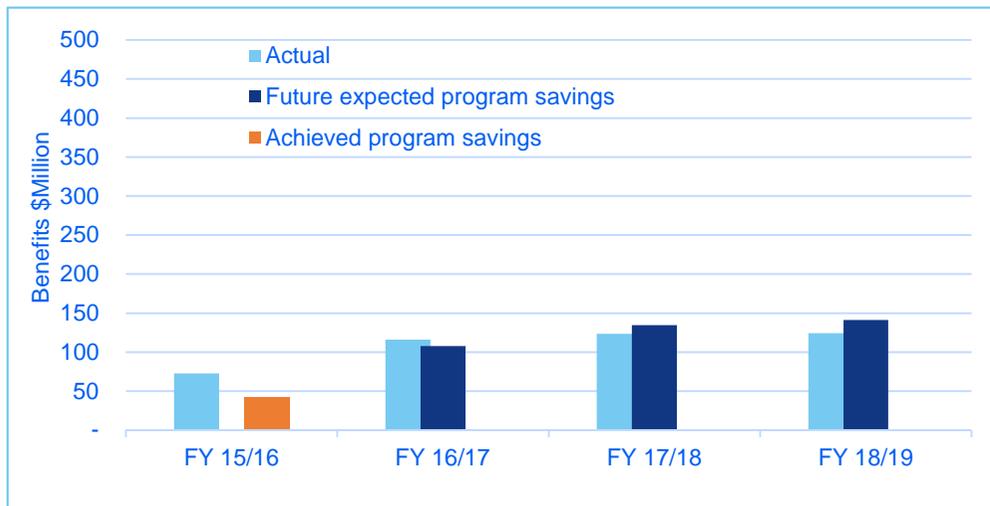
### 2015-16 Benefits



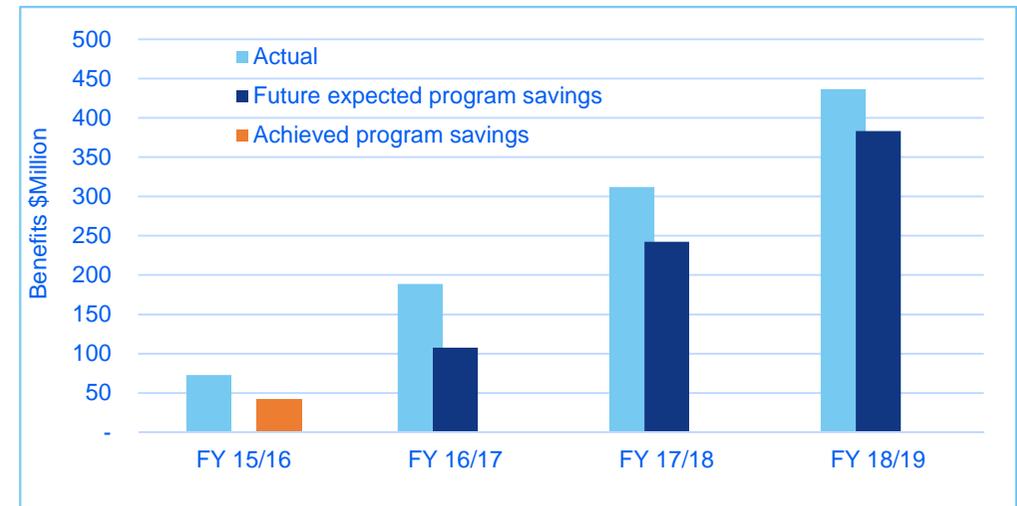
### 2016-17 Benefits



### 2015-19 Annual Benefits



### 2015-19 Cumulative



# Actual: amount removed from cluster budgets

## Achieved / future expected program savings: benefit from specific cluster procurement reform activities

# Benefits Realisation

Deliverables	Savings (\$m)			Costs (\$m)	Net benefit (Program)
	2015/16 (Achieved program savings)	2016/17 (Future expected program savings)	Actual Savings 2015-19	Program 2015-19	
<b>Program Office</b>	-	-	-	.75	-.75
<b>Business Advisory Services</b>	.	10.64	40.0	4.72	35.28
<b>Contingent Workforce – Accelerate VMS</b>	3.52	15.75	72.83	8.63	64.2
<b>ICT Software Management</b>	3.69	5.08	18.12	.14	17.98
<b>Independent Contract Review (ICR)</b>	.11	3.27	13.13	.58	12.55
<b>Legal Services Panel Review</b>	.	8.49	31.73	1.76	29.97
<b>P-Cards</b>	-	-	-	.	.
<b>StateFleet</b>	.	9.93	39.73	.	39.73
<b>Supplier Development Management</b>	.	10.3	37.19	8.33	28.86
<b>Telecommunications</b>	31.27	48.55	167.93	.	167.93
<b>Travel – Removal of Per Diems</b>	1.42	4.01	15.74	.75	14.99
<b>Statement of Work</b>	-	-	*	6.28	-6.28
<b>Total</b>	<b>40.0</b>	<b>116.0</b>	<b>436.4</b>	<b>31.9</b>	<b>404.5*</b>

\*Statement of work benefits have yet to be scoped

# Actual: amount removed from cluster budgets

## Achieved / future expected program savings: benefit from specific cluster procurement reform activities

# Progress Against Principles

Approach	Principle	Progress against Principles
<b>Appropriateness</b>	Alignment with Business Need	<p>In June 2014, the Premier requested that the Procurement Board prepare a report for Cabinet identifying procurement-related benefits for the forward four year period to improve service delivery within the sector.</p> <p>In December 2014, NSW Department of Finance, Services &amp; Innovation developed and submitted a broad-based procurement benefits program (Program) to the Expenditure Review Committee of Cabinet for approval.</p> <p>The report identified direct benefits of \$436.4 million over a four year period with an investment of \$32.9 million up to 30 June 2019. There is an additional \$233.6 million of avoided cost and other benefits for a total net savings benefit of \$636.9 million of estimated budget saving.</p>
<b>Efficiency</b>	Value for Money	<p>The Program is forecast to deliver within budget. All planned activities have been implemented or are in progress. The forecast total cost of the Program is \$31.94 million compared to a original budget of \$32.91 million with a potential saving of \$0.97 million.</p> <p>Given the maturity of the Initiatives, the PMO function will be transferred to the Procurement Leadership Group for oversight of the Business Advisory Services, Contingent Workforce, Independent Contract Review, Statement of Work and Supplier Development Management work streams. Software Asset Management and Unified Telecommunications will be overseen by the Information and Digital Government Leadership Group. Legal Services Panel, Pcards, StateFleet and Travel – Removal of Accommodation Per Diems have transitioned into business as usual activities.</p> <p>All initiatives are sustainable as most involve substantial changes to sourcing and / or procurement strategies, and in some cases, such as Business Advisory Services, Contingent, Software Asset Management, Statement of Work and Travel, involve the implementation of software to automate processes and monitor transactions.</p>

# Progress Against Principles

Approach	Principle	Progress against Principles
<b>Effectiveness</b>	Program Discipline and Accountability	<p>Establishing clear governance is the first and vital step in managing risk and issues associated with any large complex program.</p> <p>Within the first month, a Steering Committee was established to ensure working groups had appropriate representation from all clusters, a roadmap for each initiative had been developed and an initiative reporting process had been established.</p> <p>Within six months, team leads and cluster representatives developed a benefits framework which was adopted by all departments to report their direct savings to NSW Treasury’s Fiscal Efficiency Office. The NSW Procurement Benefits Realisation Management Framework was monitored on a monthly basis by the Program PMO. The Benefits Realisation Management Framework provides:</p> <ul style="list-style-type: none"> <li>• introduction and guidance for Program sponsors and business benefit owners</li> <li>• a framework of best practice principles that are transferable to NSW agencies</li> <li>• a standard approach for benefits realisation management</li> <li>• consistent terminology and benefits categorisation.</li> </ul> <p>On a six monthly basis, the PMO compares the baseline spend with current spend of the agency and provides commentary on how the Program’s benefits have been realised.</p>
	Cross-government Capability	<p>Procurement capability has been strengthened across government by establishing a network of representatives and implementing each initiative within all clusters. In addition, Directors have been funded in the Ministry of Health, Transport for NSW and the Department of Family and Community Services, to transfer skills and best practice in supplier development management.</p>
	Supplier Market Reputation	<p>The building blocks of a stronger relationship between suppliers to and buyers of NSW government has been put in place through the Accelerate Contingent Workforce, Business Advisory Services and Supplier Development Management initiatives.</p> <p>Each of these initiatives have held several forums with the key suppliers to the relevant spend category which has resulted in building of trust and accountability. For example, in the case of Accelerate Contingent Workforce, supplier issues with timeliness of invoice payment and buyer issues with accuracy of invoices have been resolved.</p>

# Progress Against Principles

Approach	Principle	Progress against Principles
Effectiveness	Exemplar WoG Program	<p>A centrally-run program structure have been put in place by establishing a network of representatives, a method and approach to the reporting of benefits and fiscal effectiveness. This has been an efficient approach used to standardise processes, policy and relationships with suppliers.</p> <p>For example, having an enterprise-wide agreement for a vendor management solution and a pre-qualified panel of managed service providers allowed clusters to standardise and accelerate their implementation of the Contractor Central model. In addition, this Program model is being considered for replication to support the next wave of procurement reform, Demand Reduction.</p>
	Key Partner in Savings Delivery	<p>The Program will deliver the \$436.4 million in savings targets. All clusters have agreed to participate in the Program and are implementing one or more of the initiatives. As a result of this Program, NSW Procurement has increased its capability to act as an advisor to the sector on strategic sourcing and procurement.</p>

## More information



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